

**OUTGOING TELEGRAM Department of State**

INDICATE:  COLLECT  
 CHARGE TO  
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Classification

1961 JAN 5 AM 8 34

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Origin

SENT TO: Amembassy DJAKARTA PRIORITY 1032

Info:

WINBERG FROM AGRICULTURE

Reurlet Dec 20. Not intention ourlet Dec 8 that you proceed negotiate exchange notes. Procedure to close out old agreements in terms of dollar disbursements and foreign currency deposits developed and being tested on pilot basis with Brazil. Withhold negotiations to close out agreement until we send you suggested draft note.

611-9841/1-561

ES/A

6/11/9841/1

Drafted by:

MJThompson FAS 1/4/61

Telegraphic trans OPR and DC/T :NPLawler:Jrl  
classification approved by: AGRIC:PMO'Leary

*JRL*  
*John Leary*  
*AM*

Clearances:

Cleared with: GHazard-CSD/State M W

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Authority NND 949570  
By GP NARA Date 8/4/00

Air Pouch	OFFICIAL USE ONLY	DO NOT TYPE IN THIS SPACE
PRIORITY	(Security Classification)	61-984/11-661
FOREIGN SERVICE DESPATCH		
FROM : Amembassy DJAKARTA	SP/506	XR-64-98 411-9841
TO : THE DEPARTMENT OF STATE, WASHINGTON.		January 6, 1961
REF : Airgram G-212, December 23, 1960		JAN 11 1961
55 For Dept. Use Only	ACTION REC'D 1/19	DEPT. IN RM/19-2 INR 7115/61 F OTHER O CIA-10 COM-10 AGD-8 IAT-7 TR-3 FRB-3
SUBJECT: Signing of PL 480 Rupiah Agreement		

A ceremony took place December 23 marking the exchange of letters covering the first year of the joint US-Indonesian Surplus Agricultural Commodities Agreement. By terms of the agreement, the United States is to provide, over the next three years, the equivalent of 72.9 million dollars in rupiahs derived from the sale of surplus agricultural commodities to Indonesia. The funds will be used for agricultural, irrigation, road rehabilitation and construction projects throughout Indonesia. The projects, largely financed through loans, will be part of the new over-all development plans of the Indonesian government.

Ambassador Jones and the Indonesian Foreign Foreign Minister delivered talks upon the occasion. A copy of the Ambassador's remarks is attached.

Foreign Minister Subandrio in his address stressed the good relations between Indonesia and the United States and the assistance and economic cooperation the United States has offered Indonesia. He noted that the friendship between the two nations has found expression in economic and technical cooperation as well as in a growing feeling of esteem between the two peoples.

He continued that the agreement being signed would help refute the impression that the United States, although giving material aid in Indonesia, had not fully understood in the past the aspirations of the Indonesian revolution. This revolution was not directed toward anybody or any country; it aimed, as the American Revolution had, at the establishment of a free independent nation where prosperity and justice would prevail among the people. He expressed the hope that the United States will give full support to the completion of the national Indonesian Revolution, including achievement of Indonesia's territorial rights as well as its political and economic aims.

The United States, Subandrio said, is still undergoing a revolution in the sense that Americans are trying to achieve political ideals. America is not a static reality but rather a dynamic, living reality, and "that is what we call a revolution."

Subandrio continued that the creation of this dynamism in Indonesia calls for quick action since it is no longer possible, with world tension,

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Encl. No. \_\_\_\_\_  
Desp. No. 506  
From Djakarta

[ to plan development programs in terms of centuries. For this reason, Indonesia has now embarked on an eight-year development plan with the expectation that development thereafter will be a self-generating process. If Indonesia is unable to reach that level in eight years, there may not be another chance. "I think we will be squeezed if we don't try to keep the same pace with the rest of the world," Subandrio said. ]

Indonesia desires to make progress without violating laws. These should not be the laws of bureaucracy or of obsolete conceptions. Subandrio added that if one certain conception is recognized by international law, we (Indonesians) sometimes do not recognize it if it implies that one nation is subjected to another. Even if the concept is covered by treaties dating from a long time ago, Subandrio stressed, we may not recognize it because we regard it as the law of the jungle which is obsolete and should be changed. He concluded, "Constitutions are made for humans and not the reverse, and if necessary we will change the law every day."

COMMENT: Subandrio's favorable comments on UN-Indonesian relations were considerably tempered by his claim that the United States has failed to understand fully and support the completion of the Indonesian revolution. Among other things, he was obviously referring to lack of United States support for Indonesian policies on West New Guinea as an example of this particular failing, especially in view of his recent remarks to officers of the Foreign Department on the applications of Manipol-USDEK in the foreign policy field (reference airgram).

For the Ambassador:

*Rolland H. Bushner*

Rolland H. Bushner  
Counselor of Embassy for Political Affairs

Enclosure:

Copy of Ambassador Jones' remarks.

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Encl. No. 1  
Desp. No. 506  
From Djakarta

Remarks of Ambassador Jones

Gentlemen:

I am very happy to be here on this occasion. Through this agreement, the United States Government has the pleasure of associating itself once again with a major development program of the Republic of Indonesia.

The projects involved are, I believe, worthy additions to the long list of constructive development activities completed or in process of being carried out by our two governments.

Certainly no job that a government has is more important than seeing to it that sufficient food is produced for its people. Equally important is insuring that this food moves on time from farm to market.

The irrigation, agricultural and road rehabilitation projects included in these agreements should make an important contribution to the successful accomplishment of these tasks.

The projects we are concerned with here are aimed primarily, of course, at making Indonesia self-sufficient in basic foods.

Over the next three years, the United States is happy to be able to make available the equivalent of \$72.7 million in rupiahs to these projects. These rupiahs were earned as a result of the sale here of our surplus agricultural commodities under the SAC agreements.

Today, we are signing the agreement covering the U.S. contribution during the first year. This amounts to the equivalent of \$16.6 million in rupiahs.

The largest contribution of funds will go to the Djatiluhur irrigation system in West Java. Other agricultural projects to receive support are paddy centers, seed stations, fertilizer storage facilities, etc. Also included are road rehabilitation projects important in the movement of farm crops to market. These various projects are located all over Indonesia on Java, Sumatra, Kalimantan, Sulawesi, the Lesser Sundas, and the Moluccas.

By joining in these projects, the United States is indicating its sincere interest in helping to share the heavy burdens involved in this most vital development program. This helps both of us. Among other things each such act of association has helped over the years to increase the understanding between our peoples. Each has been a symbol of the continuing good relations between our two countries.

Thank you once again for the opportunity to be with you on this important occasion.

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Department of State

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Control: 8318

Rec'd: January 17, 1961  
7:05 a.m.

Info

FROM: Djakarta

FE

TO: Secretary of State

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NO: 2084, January 17

FRB

TRSY

RMR

AGRICULTURE FROM WINBERG

Department telegram 1032

Note withdrawn from Department Foreign Affairs. Negotiations withheld pending receipt instructions. Refer January 17 letter.

JONES

BHH/4

611-9841-1-1761

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NAME OF OFFICER & OFFICE SYMBOL					

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JUN 23 1961

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By GP NARA Date 8/4/00

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R M / R.

Transmitted to Field (Form DS-4)	
To: <i>Am. East Djakarta</i>	
For:	11/19-61
Div: ED	By: PRA Date:

AGREEMENT

This Agreement made and entered into as of the 27th day  
of December 1961, by and between the Government of the Re-  
public of Indonesia (hereinafter referred to as the "Government")  
and the Export-Import Bank of Washington (hereinafter referred to  
as "Eximbank"), an agency of the Government of the United States  
of America (hereinafter referred to as "United States"),

WITNESSETH:

WHEREAS, the Director of the International Cooperation Admin-  
istration (hereinafter referred to as the "Director") has advised  
Eximbank that, in accordance with the provisions of the Agricultural  
Trade Development and Assistance Act of 1954, as amended, and pur-  
suant to the provisions of the Agricultural Commodities Agreement  
between the United States and the Government dated November 5, 1960  
(hereinafter referred to as the "Commodities Agreement"), a determi-  
nation has been made to extend credit to the Government in an amount  
estimated at Three Hundred Thirty-Seven Million Five Hundred Thousand  
Indonesian rupiahs (337,500,000 Indonesian rupiahs) to the extent  
that Indonesian rupiahs become available for credit purposes pursuant  
to Article II, paragraph 2 of the Commodities Agreement but not in  
excess of thirty-eight per cent (38%) of the Indonesian rupiah proceeds  
agreed to be deposited under Article III of the Commodities Agreement;  
and

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[ ] [ ] 5 [ ] [ ]

WHEREAS, the Director has allocated funds to Eximbank for the credit and has specified, after consultation with the National Advisory Council on International Monetary and Financial Problems, the terms upon which Eximbank will make and administer the credit;

NOW, THEREFORE, it is agreed that:

1. Eximbank hereby establishes in favor of the Government a line of credit not exceeding thirty-eight per cent (38%) of the Indonesian rupiah proceeds accruing under the Commodities Agreement, hereby estimated as Three Hundred Thirty-Seven Million Five Hundred Thousand Indonesian rupiahs (337,500,000 Indonesian rupiahs), to assist in financing projects or such other economic development purposes as may be from time to time agreed upon by the Government and the Director; provided, that none of said proceeds shall be disbursed under this credit after November 4, 1963, unless agreement by the Government and the Director as to their use has been reached prior to such date.

2. For value received, the Government hereby promises to pay to Eximbank, its successors or assigns, the principal sum of Three Hundred Thirty-Seven Million Five Hundred Thousand Indonesian rupiahs (337,500,000 Indonesian rupiahs), or as many rupiahs as may be advanced against this line of credit, in installments as set forth in the Schedule of Payments attached hereto and made a part hereof as Exhibit "A", and to pay interest at the rate of four per cent (4%) per annum on the unpaid principal balance as specified below. The principal shall be paid in semiannual installments, beginning four (4)

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years after the end of the month in which the first disbursement is made by the Director to the Government under this Agreement, in amounts and at the times set forth in Exhibit "A". Should the amount disbursed exceed said principal sum, proportionate adjustments shall be made in the installments shown in Exhibit "A". Should the amount disbursed fall short of said principal sum by more than ten per cent (10%), proportionate adjustments shall be made in the installments shown in Exhibit "A"; should the amount disbursed fall short by ten per cent (10%) or less, the deficiency shall be deducted from the last installment or installments shown in Exhibit "A". Interest on the outstanding balance of principal shall begin at the end of the month in which the first disbursement is made, such interest to be paid semiannually thereafter beginning six (6) months from that time. In event of default in the prompt and full payment hereunder of principal or interest, the entire unpaid principal hereof and interest thereon shall become due and payable upon demand of Eximbank. The nonexercise by Eximbank of such right at any time shall not constitute a waiver of such right.

3. Disbursements for the account of the Government shall be made from the Indonesian rupiahs deposited under the provisions of Article III of the Commodities Agreement, and made available for credit purposes pursuant to the provisions of Article II, paragraph 2 thereof. Such disbursements, which may be made from time to time by

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the Director, shall be advances under this line of credit as of the date of each periodic statement rendered by the Director to the Government and Eximbank reporting such disbursements. Eximbank shall endorse upon this Agreement the amount of the Indonesian rupiahs so advanced.

4. Payments of interest and principal required to be made by the Government to Eximbank under this Agreement shall be made in Indonesian rupiahs or, at the option of the Government, in United States dollars. If the Government elects to exercise the option to make payments in dollars, the amount of any such payment shall be calculated at the time of payment to be equivalent to the obligation in Indonesian rupiahs computed on the following basis:

- (a) The effective rate at which United States dollars are sold in exchange for Indonesian rupiahs to residents of Indonesia for the meeting of payment obligations abroad, provided effective rates for Indonesian rupiahs differing by more than one per cent from the par value agreed with the International Monetary Fund for that currency are not permitted by the Government and provided the parties to this Agreement do not agree that another rate would be just and reasonable; or
- (b) Otherwise, such other rate as is mutually agreed from time to time.

Interest and principal shall be payable at the Office of Eximbank, Washington, D. C. Indonesian rupiahs accepted by Eximbank may be transferred to the Secretary of the Treasury of the United States to be held through such officer or officers of the United States

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as may be designated by the Secretary of the Treasury.

5. The Government, without penalty or premium, may make prepayments of principal on this loan in Indonesian rupiahs or, at the option of the Government, in United States dollars computed on the date any such prepayment is made at a rate of exchange calculated as provided in Section 4 hereof. Any prepayments made by the Government shall apply to the principal installments in Exhibit "A" in the inverse order of their maturity.

6. The Government agrees that any loans which it may make from funds received under this Agreement to private enterprise or to any person or to publicly owned enterprises of a profit-earning type will be made at rates of interest which shall be approximately equivalent to those for comparable loans prevailing in Indonesia. The Government further agrees that, except for any loans which it may make to publicly owned enterprises of a profit-earning type, no funds received under this loan agreement will be appropriated or transferred directly or indirectly to a publicly owned enterprise of a profit-earning type.

7. The Government agrees that the Indonesian rupiahs received by the United States, under paragraphs 4 and 5 above, may be used by the United States for any expenditures of or payments by the United States in Indonesia or its territories. Such currency may also be used in other areas or converted into other currencies as may mutually be agreed upon. The United States agrees to take

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into account the economic position of Indonesia in any contemplated use of the Indonesian rupiahs received by the United States hereunder.

8. The Government agrees that the United States may invest any unexpended balances received hereunder in interest-earning obligations or deposits denominated in Indonesian rupiahs. The United States agrees that the Government may purchase for United States dollars all or any part of such unexpended balances not otherwise committed by the United States at a rate of exchange then mutually agreed upon.

9. Whenever the parties to this Agreement determine that it would be to their mutual interests to modify any of its provisions, they may by mutual agreement in writing provide for any such modification, including the payment of all or any part of principal and interest by the delivery to the United States of (a) such materials, or (b) such other valuable consideration as may be mutually agreed upon by the parties hereto.

10. Prior to and as a condition precedent to the first disbursement under the credit, Eximbank shall be furnished with:

- (a) Evidence of authority of the person who has executed this Agreement and otherwise acts as the representative of the Government in connection with the credit; and
- (b) An opinion of the Minister of Justice of the Republic of Indonesia or other legal counsel satisfactory to Eximbank demonstrating to the

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satisfaction of Eximbank that the Government has taken all action necessary under its constitutional laws to authorize the contracting of the credit under this Agreement and that the Agreement constitutes the valid and binding obligation of the Government in accordance with its terms.

IN WITNESS WHEREOF, the Government and Eximbank have caused this Agreement to be duly executed in duplicate in Washington, District of Columbia, United States of America, on the date first above mentioned.

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

By \_\_\_\_\_

EXPORT-IMPORT BANK OF WASHINGTON

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

7.

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By GP NARA Date 8/4/00

## EXHIBIT "A"

SCHEDULE OF PAYMENTS

<u>Due Date of Payment</u>	<u>Principal Payment</u>
1 /Due first day of calendar month which is 4 years from end of month in which first disbursement is made; remaining numbered installments shall be payable semi-annually thereafter. /	167,411 Rupishs
2	334,822
3	502,233
4	669,644
5	837,055
6	1,004,466
7	1,171,877
8	1,339,288
9	1,506,699
10	1,674,110
11	1,841,521
12	2,008,932
13	2,176,343
14	2,343,754
15	2,511,165
16	2,678,576
17	2,845,987
18	3,013,398
19	3,180,809
20	3,348,220
21	3,515,631
22	3,683,042
23	3,850,453
24	4,017,864
25	4,185,275
26	4,352,686
27	4,520,097
28	4,687,508
29	4,854,919
30	5,022,330
31	5,189,741
32	5,357,152
33	5,524,563

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<u>Due Date of Payment</u>	<u>Principal Payment</u>
34	5,691,974
35	5,859,385
36	6,026,796
37	6,194,207
38	6,361,618
39	6,529,029
40	6,696,440
41	6,863,851
42	7,031,262
43	7,198,673
44	7,366,084
45	7,533,495
46	7,700,906
47	7,868,317
48	8,035,728
49	8,203,139
50	8,370,550
51	8,537,961
52	8,705,372
53	8,872,783
54	9,040,194
55	9,207,605
56	9,375,016
57	9,542,427
58	9,709,838
59	9,877,249
60	10,044,660
61	10,212,071
62	10,379,482
63	10,546,317

337,500,000 Rupiahs

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FOREIGN SERVICE DESPATCH														
FROM : Amembassy DJAKARTA	510 DESP. NO.													
TO : THE DEPARTMENT OF STATE, WASHINGTON.	January 23, 1961													
REF : Embassy Despatch 506, January 6, 1961	JAN 27 1961													
<table border="1"> <tr> <td>35 For Dept. Use Only</td> <td>ACTION</td> <td>DEPT.</td> </tr> <tr> <td></td> <td>FE-4</td> <td>RUR-2 Rep-1 INR-7 E-7 ICA-11 L-2</td> </tr> <tr> <td></td> <td>REC'D</td> <td>N OTHER</td> </tr> <tr> <td></td> <td>2-1</td> <td>O CIA-10 RCOM-10 AGR-8 TAR-2 TR-3 FRG-3 1984</td> </tr> </table>			35 For Dept. Use Only	ACTION	DEPT.		FE-4	RUR-2 Rep-1 INR-7 E-7 ICA-11 L-2		REC'D	N OTHER		2-1	O CIA-10 RCOM-10 AGR-8 TAR-2 TR-3 FRG-3 1984
35 For Dept. Use Only	ACTION	DEPT.												
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	2-1	O CIA-10 RCOM-10 AGR-8 TAR-2 TR-3 FRG-3 1984												
SUBJECT: Transmittal of Subandrio Speech														

Enclosed are copies of the speech given by Foreign Minister Subandrio upon the occasion of the signing of agreements for the allocation of rupiah funds deriving from the sale to Indonesia of surplus agricultural commodities. The speech is the English-language version which has been prepared by the Foreign Department and reviewed by the Minister himself; there are a few minor changes of wording and style, perhaps deriving from a better translation, to be noted in this version as compared with the speech as reported by the press.

For the Ambassador:

*Pratt Byrd*  
Pratt Byrd  
Second Secretary of Embassy

Enclosure: *OK*

Foreign Minister Subandrio's remarks  
on the occasion of the signing of the food  
program agreement between Indonesia and  
the United States. (Full Text)

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Encl. No. 1  
Desp. No. 540  
From Djakarta

Foreign Minister Subandrio's Remarks on the Occasion of  
The Signing of the Food Programme Agreement, Between  
Indonesia and the U.S.

Full Text

You have all just witnessed a simple ceremony, a simple ceremony in which the Ambassador of the United States and myself have put their signatures on an agreement which will, I hope, facilitate the economic development in Indonesia through the assistance of and economic cooperation with the United States. I myself, together with the Ambassador, have signed many of these kind of agreements and sometimes I really feel it is becoming a routine matter. Though it has more or less become a routine matter because of the good relationship between Indonesia and the United States, one should not forget the real implications and the real meaning of this agreement.

Gradually the United States of America and Indonesia have built up a close relationship -- a relationship not only in the abstract meaning of the word but a relationship which is given complete substance -- complete substance in the same sense of economic cooperation, of technical cooperation, and a growing feeling of esteem between the two peoples.

I myself am very glad that at this very moment also, we are signing this agreement because this also will help refute the impression as if the United States, although giving material aid to Indonesia, in fact in the past has not understood really the aspirations of the Indonesian revolution.

Mr. Ambassador, I want to make it clear that our revolution is not directed toward anybody or any country. It is not an aggressive revolution towards other people -- it is not to take the interests of other people -- but it aims, just like the American Revolution did, in its own context to establish a free, independent Indonesia where we hope prosperity and justice will prevail among our people.

There are some countries, well-established countries, who are free from the world revolution. There is your own country. And yet I think even America now is still in a revolution -- not a revolution in the sense that you are trying to achieve political ideals -- but when I was there, your country was still in dynamic progress, the dynamism of America is still there. Perhaps the emphasis is on different fields than at ours, because our stages of development are different. America is not a static reality. America is a dynamic, living reality and that is what we call a revolution.

That is also what we are living with now in Indonesia -- to create a dynamism -- and I think our program will be quick because nowadays it is impossible to plan programs in terms of centuries. It must not only be liked by the people themselves, it must be loved by international conditions. Our maxim is that with our program - through the overall development plan - we hope that at the end of the 8th year Indonesia will have made progress in such a way that development afterwards will have become a selfgenerating process. If we cannot do that

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Desp. No. 510  
From Djakarta

within these 8 years, perhaps we will not ever have the chance. Because international developments are such - countries are making progress in such a way - that I think we will be squeezed if we do not try to keep the same pace with the rest of the world. If at this time we are not really putting down the foundation of the State - the solid conditions of the State - yet the integrity of the State is no more in doubt. And I think on that score, what we have foremost in our minds and which is the aim of our revolution, is to make quick progress. It is not, I think, to violate laws. No. Also our country is based on law - upon the rule of law. On the other hand, it is not the law of bureaucracy. It is not the law of obsolete conceptions. For instance, even if it is sometimes recognized by international law, we do not recognize it if one nation is subjected to another, even if it is covered by treaties a long time ago, we do not, because such a condition we regard as the law of the jungle which to us is obsolete and which we think should be changed. In our country we want to make quick changes, quick answers established upon law, upon decrees but there cannot be quick changes unless we are prepared to uproot obsolete things. And also this country does not want to establish the law of bureaucracy which has more or less become an obstacle of everyone. So whereas we recognize the rule of law, we recognize that the law is made for human beings. Constitution is made for humans, and not the reverse. If necessary, we will change the law every day.

Mr. Ambassador, I am trying to make it plain at this occasion for the benefit of the outside world, for the U.S. and for Indonesia that we are very glad that our relations with the United States as proved by this short document, as proved by this simple ceremony are good. We hope that not only the conventional relations between the United States and Indonesia will be good but also that gradually the U.S. will understand and will give full support to the finalization of our national revolution by which I mean Indonesia's territorial rights and political as well as economic claims which is mainly directed to build a free, independent Indonesia, cooperationg with all countries, but also an independent, free Indonesia with prosperity and justice in Indonesia itself.

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Control: 13870

Action

Rec'd: January 26, 1961  
1:38 a.m.

AGR

Info

FROM: Djakarta

SS

TO: Secretary of State

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NO: 2153, January 25, 3 p.m.

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Control: 13870

Rec'd: January 26, 1961  
1:38 a.m.

Department telegram 986.

Department Foreign Affairs official inquiring status GOI request supplemental rice under November 5, 1960 PL-480 agreement. Reference telegram mentions determination availability rice "after first of the year" and "firm contracts before March 1" and GOI anticipated negotiations leading to exchange notes prior present date.

JONES

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		(file) 1/26/61 JONES

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